

**PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1  
DBA NEWPORT COMMUNITY HOSPITAL AND PEND OREILLE PINES  
NURSING HOME**

**Pend Oreille County, Washington**

**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. The District Should Segregate Incompatible Duties

Our review of the district's internal controls noted the following weaknesses:

- a. The business office manager oversees accounts receivable, serves as district treasurer, is the person primarily responsible for the computer system operation, has access to all computer applications, and can propose and post journal entries.
- b. The purchasing clerk can initiate and receive purchases.

A basic principle of internal controls requires the segregation of duties relating to the custody of assets from the responsibility for maintaining the related records of accountability.

Due to the size of the district's business staff, separation of duties is difficult.

When improper duties are not adequately separated, errors and irregularities will not be detected in a timely manner, if at all.

We again recommend that the district separate the responsibilities of accounting for the transactions from the physical control of the assets to provide proper checks and balances for the protection of the assets.

2. The District Should Not Increase Compensation After Services Are Performed

On August 25, 1994, the board of commissioners retroactively increased the salary of the superintendent. This resulted in an overpayment of wages of at least \$1,000 to the superintendent.

This violates the Washington State Constitution, Article II, Section 25, which states in part:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered . . . .

Awarding additional compensation for services already rendered, results in unnecessary and improper use of public funds.

The commissioners were unaware of the prohibition against retroactive pay raises.

We recommend the district comply with the state laws governing retroactive pay increases.